



Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Voluntary Report - public distribution

Date: 1/31/2003

GAIN Report #IN3006

India

Cotton and Products

Update - February

2003

Approved by:

Chad Russell

U.S. Embassy

Prepared by:

Santosh Kr. Singh

Report Highlights:

Post's estimate for 2002/03 cotton production has been shaved lower to 14.2 million bales (170 kg). Relatively high international cotton prices led Post to decrease the 2002/03 cotton import estimate to 1.5 million bales (170 kg).

Includes PSD changes: Yes
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1], IN

Table of Contents

SECTION I : SITUATION AND OUTLOOK	Page 2 of 7
2002/03 Production Revised Marginally Lower	Page 2 of 7
Market Prices Remain Firm	Page 2 of 7
2002/03 Imports Revised Lower	Page 3 of 7
SECTION II: STATISTICAL TABLES	Page 4 of 7
Table 1: Commodity, Cotton (metric tons)	Page 4 of 7
Table 2: Commodity, Cotton (480 lbs bales)	Page 5 of 7
Table 3: Area, Production & Yield of cotton in major states	Page 6 of 7
Table 4: Month End Spot Prices of Popular Varieties (in rs./mt)	Page 7 of 7

SECTION I : SITUATION AND OUTLOOK

Note : All data in narrative are in 170 kg bales unless mentioned otherwise.

2002/03 Production Revised Marginally Lower

The 2002/03 cotton production has been shaved by 200,000 bales to 14.2 million bales based on a lower pace of market arrivals, particularly in the state of Maharashtra. Market sources report that due to the continuing upward trend in domestic prices, many farmers are holding on to their cotton for longer periods in the hope of realizing higher prices later. The quality of cotton arrivals in most markets is reported to be better than last year. The current pace of market arrivals is around 95,000 to 100,000 bales per day compared to 120,000 to 125,000 bales per day for the corresponding period last year. Market arrivals are expected to remain steady during the next two months supported by production from central and southern states. As in previous years, production estimates are under downward post-harvest pressure as various trade sources estimate the crop between 13.5 to 14.5 million bales. The Cotton Advisory Board will look into their November 29th, 2002, estimate of 15.2 million bales in their next meeting to be scheduled in late February/early March.

Reflecting the lower crop size this season versus last year, the cumulative market arrivals of cotton in various markets through January 25, 2003, were 11 percent lower at 8.01 million bales compared to the corresponding period last year. Market arrivals by state (in million bales) with the previous year in the parentheses are: Punjab 0.50 (0.62); Haryana 0.6 (0.43); Rajasthan 0.36 (0.40); Gujarat 1.50 (1.45); Maharashtra 1.50 (2.50); Madhya Pradesh 1.01 (1.03); Andhra Pradesh 1.32 (1.23); Karnataka 0.29 (0.37); Tamil Nadu 0.18 (0.22); Others 0.10 (0.08) and loose cotton 0.65 (0.70). Besides a short crop, the heavy shortfall in market arrivals in Maharashtra can also be attributed to month long delay in the start of Maharashtra monopoly cotton procurement operation and heavy diversion of Maharashtra cotton to neighboring states. The cotton arrival estimates in Gujarat, Madhya Pradesh and Andhra Pradesh are therefore boosted by Maharashtra cotton and do not reflect solely their own production.

Market Prices Remain Firm

Despite the surge in cotton arrivals, market prices remained firm during Dec./Jan (see table 4) on strong international prices, increased off take by domestic mills, and smaller crop size. With international cotton prices continuing to be on the rise, most of the financially stronger mills are covering their consumption requirements for longer periods through the less expensive domestic market. Cotton prices for the commonly traded varieties are currently 43 to 77 cents per lb., about 17 to 33 percent higher than a year ago. Market prices are expected to increase further from late February onwards after the domestic market arrivals start slowing down. Market prices for the latter part of the market season will depend heavily on movement of international cotton prices.

2002/03 Imports Revised Lower

Post's 2002/03 cotton import estimates have been lowered to 1.5 million bales as comparatively strong international cotton prices and increased domestic availability of quality cotton during the current season have significantly marred the import prospects. Export estimates have been raised to 100,000 bales on increased buying from neighboring markets like Bangladesh. However, favorable local cotton prices have had limited impact on the export prospects due to lack of availability of sufficient quantity of quality cotton in the domestic market.

Despite a firm domestic market, current mill delivery prices of local cotton are about 10 to 15 percent below international quotations of comparable foreign cotton, resulting in very low import contracts during the current season. Market sources estimate import contracts during the 2002/03 Indian marketing year (October/September) through 3rd week of January at around 450,000 to 480,000 bales, mostly from Egypt (mostly ELS cotton), USA, West Africa and Sudan. Another 100,000 to 120,000 bales (mostly US cotton) have been imported from August to November 2002, comprising the import contract spillovers from the Indian marketing year 2001/02. Given the tight domestic supply situation, import prospects should improve beginning March with the expected decline in cotton arrivals and consequent increase in domestic prices. Although import levels during the period will depend on relative prices of domestic cotton vis-a-vis international prices, Post estimates 2002/03 imports to reach 1.5 million bales on heavy imports during April-July, 2003.

SECTION II: STATISTICAL TABLES

Table 1: Commodity, Cotton (metric tons)

PSD Table							
Country:	India						
Commodity:	Cotton	(HECTARES) (METRIC TONS)					
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin		08/2000		08/2001		08/2002	(MONTH/YEAR)
Area Planted	8576000	8576000	8730000	8730000	7800000	7800000	(HECTARES)
Area Harvested	8576000	8576000	8730000	8730000	7800000	7800000	(HECTARES)
Beginning Stocks	1069691	1069691	821484	821484	977157	977157	METRIC TONS
Production	2379969	2379969	2678037	2678036	2438537	2414000	METRIC TONS
Imports	341178	341178	381020	381021	391908	254988	METRIC TONS
TOTAL SUPPLY	3790838	3790838	3880541	3880541	3807602	3646145	METRIC TONS
Exports	20466	20466	13064	13064	10886	17000	METRIC TONS
USE Dom. Consumption	2734620	2734620	2686320	2686320	2757081	2757080	METRIC TONS
Loss Dom. Consumption	214268	214268	204000	204000	204000	204000	METRIC TONS
TOTAL Dom. Consumption	2948888	2948888	2890320	2890320	2961081	2961080	METRIC TONS
Ending Stocks	821484	821484	977157	977157	835635	668065	METRIC TONS
TOTAL DISTRIBUTION	3790838	3790838	3880541	3880541	3807602	3646145	METRIC TONS

Note: Production figures for MY 2000 include 900,000 bales, for MY2001 include 1.0 million bales and for MY2002 include 900,000 bales of loose cotton (170 kg bales) each.

Table 2: Commodity, Cotton (480 lbs bales)

PSD Table							
Country:					Conversion	0.004593	
Commodity:							
		2000		2001		2002	UOM
	Old	New	Old	New	Old	New	
Market Year Begin							(MONTH/YEAR)
Area Planted	8576000	8576000	8730000	8730000	7800000	7800000	(HECTARES)
Area Harvested	8576000	8576000	8730000	8730000	7800000	7800000	(HECTARES)
Beginning Stocks	4913	4913	3773	3773	4488	4488	1,000 480lb bales
Production	10931	10931	12300	12300	11200	11087	1,000 480lb bales
Imports	1567	1567	1750	1750	1800	1171	1,000 480lb bales
TOTAL SUPPLY	17411	17411	17823	17823	17488	16746	1,000 480lb bales
Exports	94	94	60	60	50	78	1,000 480lb bales
USE Dom. Consumption	12560	12560	12338	12338	12663	12663	1,000 480lb bales
Loss Dom. Consumption	984	984	937	937	937	937	1,000 480lb bales
TOTAL Dom. Consumption	13544	13544	13275	13275	13600	13600	1,000 480lb bales
Ending Stocks	3773	3773	4488	4488	3838	3068	1,000 480lb bales
TOTAL DISTRIBUTION	17411	17411	17823	17823	17488	16746	1,000 480lb bales

Note: Production figures for MY 2000 include 900,000 bales, for MY2001 include 1.0 million bales and for MY2002 include 900,000 bales of loose cotton (170 kg bales) each.

Table 3: Area, Production & Yield of cotton in major states
(Area Tha, production thousand bales of 170 kgs, yield kgs/ha)

						Final	Revised	Revised
STATE		1996/97	1997/98	1998/99	1999/2000	2000/01	2001/02	2002/03
Maharashtra	Area	3085	3139	3199	3254	3077	2980	2613
	Production	3300	2150	2650	3650	2050	3350	2800
	Yield	182	116	141	191	113	191	182
Gujarat	Area	1484	1519	1607	1516	1615	1687	1680
	Production	3425	4200	4750	2850	2400	3350	3200
	Yield	392	470	502	320	253	338	324
M.P.	Area	527	517	501	525	506	623	546
	Production	1875	2250	1875	1550	1750	1975	1800
	Yield	605	740	636	502	588	539	560
Punjab	Area	742	727	562	475	474	600	458
	Production	1600	725	500	800	900	900	850
	Yield	367	170	151	286	323	255	316
Haryana	Area	649	638	582	546	555	610	610
	Production	1350	900	700	1050	1000	525	900
	Yield	354	240	204	327	306	146	251
Rajasthan	Area	654	645	645	583	510	347	333
	Production	1400	1100	1150	1300	1050	575	500
	Yield	364	290	303	379	350	282	255
Andhra Pradesh	Area	1007	898	1278	1040	1022	1002	900
	Production	2650	2550	2500	2200	2500	2750	2100
	Yield	447	483	333	360	416	467	397
Karnataka	Area	668	518	608	600	560	591	400
	Production	900	750	875	800	800	800	550
	Yield	229	246	245	227	243	230	234
Tamil Nadu	Area	260	247	243	185	193	200	200
	Production	550	500	550	550	550	500	550
	Yield	360	344	385	505	484	425	468
Others	Area	46	56	62	67	64	90	60
	Production	100	100	125	150	100	75	50
	Yield	370	304	343	381	266	142	142
All-India	Area	9122	8904	9287	8791	8576	8730	7800
	Production	17150	15225	15675	14900	13100	14800	13300
	Yield	320	291	287	288	260	288	290

Notes for table 3:

- 1: Production figures for 1996/97-1997/98 in the PS&D includes loose cotton estimates.
 2: Loose Cotton estimate: 1996/97 (675,000 bales); 1997/98 (575,000 bales); 1998/99 (825,000 bales); 1999/2000 (700,000 bales); 2000/01 (900,000 bales); 2001/02 (1000,000 bales) and 2002/03 (900,000 bales) respectively.

Table 4: Month End Spot Prices of Popular Varieties (in rs./mt)

Year	Bengal	S.G.J.	H-4	Shankar-6	MCU-5	DCH-32
	Deshi	F-34	M.P.	Gujarat	A.P.	South
2001/02						
Aug	34590	51460	52580	54830	66080	88000
Sept	36560	46960	52300	54830	64680	87160
Oct	38240	40490	44990	46400	59050	77330
Nov	39650	39370	41340	44710	54830	73110
Dec	35710	37120	41340	44430	53430	71140
Jan	36560	36840	40210	43300	48370	70300
Feb	36560	36270	38810	41620	47800	66080
Mar	37960	36560	39650	44150	50620	70300
Apr	38520	39930	42180	44990	52020	73120
May	39650	39650	42180	44430	50050	71710
Jun	41340	42180	44990	49210	54270	76760
Jul	41340	44150	50050	52580	57370	77330
Avg Price	38057	40915	44218	47123	54881	75195
2002/03						
Aug	39930	41060	49210	51740	61580	81830
Sept	38520	40490	47800	50050	59610	77330
Oct	41620	43330	48930	50620	63270	78740
Nov	41060	46680	49770	52020	63270	80980
Dec	36840	46400	49490	52870	64680	83800
Jan 24	33180	45550	50330	53710	64110	82110

Source: East India Cotton Association, Mumbai